

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Strike Team Investigative Narcotics Group	County
Audit Date 9/30/05	Opinion Date 12/12/05	Date Accountant Report Submitted to State: 3/2/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) Anderson & Decker, P.C.			
Street Address P.O. Box 746	Digitally signed by James M. Anderson, CPA DN: cn=James M. Anderson, CPA, c=US, o=James M. Anderson, P.C., email=jma@m33access.com Date: 2006.03.02 07:28:49 -05'00'	City Roscommon	State MI
Accountant Signature 	ZIP 48653		

S.T.I.N.G.
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2005

S.T.I.N.G.
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Anderson & Decker, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

December 12, 2005

Executive Board of S.T.I.N.G.
496 E. Houghton Ave.
West Branch, MI 48661

We have audited the accompanying financial statements of S.T.I.N.G. as of and for the year ended September 30, 2005. These financial statements are the responsibility of the S.T.I.N.G.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of S.T.I.N.G. as of September 30, 2005 and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 to 7 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise S.T.I.N.G.'s basic financial statements. The supplemental statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of S.T.I.N.G. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "J. Anderson", is written in dark ink.

ANDERSON & DECKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

S.T.I.N.G.
MANAGEMENT'S DISCUSSION & ANALYSIS
SEPTEMBER 30, 2005

Using this Annual Report

Our discussion and analysis of S.T.I.N.G.'s financial performance provides an overview of the Unit's financial activities for the fiscal year ended September 30, 2005. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenue, Expenses, and Changes in Net Assets provide information about the activities of the Unit and present a longer-term view of the Unit's finances.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to S.T.I.N.G.'s basic financial statements. These statements are comprised on three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Reporting S.T.I.N.G. as a Whole

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of S.T.I.N.G.'s finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of S.T.I.N.G.'s assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of S.T.I.N.G. is improving or deteriorating.

The *Statement of Activities* presents information showing how S.T.I.N.G.'s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements. A fund is a grouping of related accounts and is used to maintain control over resources that have been segregated for specific activities or objectives. S.T.I.N.G., like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. S.T.I.N.G. maintains one governmental fund and one fiduciary fund.

Governmental Fund. All of the unit's basic services are reported in the governmental fund, which focus on how money flows into and out of this fund and the balance left at year-end that is available for spending. This fund is reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed short-term view of S.T.I.N.G.'s general governmental operations and the basic services it provides.

S.T.I.N.G.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2005

Fiduciary Fund. The Fiduciary fund is used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the unit's own programs. S.T.I.N.G. uses a fiduciary fund to account for non-adjudicated funds held.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The statements mentioned above, report the Unit's net assets and how they have changed. The reader can think of the Unit's net assets (the difference between assets and liabilities) as one way to measure the Unit's financial health or financial position. Over time, increases or decreases in the Unit's net assets are one indicator of whether its financial health is improving or deteriorating, respectively.

Financial Analysis of S.T.I.N.G. as a Whole

S.T.I.N.G.'s net assets decreased approximately 387%, or \$25,696, from \$6,644 to (\$19,052) for the year ended September 30, 2005. The net assets and change in net assets are summarized below.

Net Assets

The overall financial position decreased in 2005. The unrestricted net assets decreased by \$25,696. The primary reason for the decline was the moderate increase of \$10,656 in revenues in 2005 compared to total expenses of \$151,382. The expenses experienced an overall increase of \$4,898 (3.34%) which brought the net loss from \$31,454 in 2004 to \$25,696 in 2005.

The net assets as of the year ended September 30, 2005, are as follows:

	<u>2004</u>	<u>2005</u>	<u>Variance</u>	<u>%</u>
Current and Other Assets	\$ 41,260	\$ 18,092	\$ (23,168)	(56.15)
Total Assets	<u>41,260</u>	<u>18,092</u>	<u>(23,168)</u>	<u>(56.15)</u>
Current Liabilities	<u>34,616</u>	<u>37,144</u>	<u>2,528</u>	<u>7.30</u>
Total Liabilities	<u>34,616</u>	<u>37,144</u>	<u>2,528</u>	<u>7.30</u>
Net Assets				
Unrestricted	<u>6,644</u>	<u>(19,052)</u>	<u>(25,696)</u>	<u>(386.75)</u>
Total Net Assets	<u>\$ 6,644</u>	<u>\$ (19,052)</u>	<u>\$ (25,696)</u>	<u>(386.75)</u>

S.T.I.N.G.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2005

Changes in Net Assets

	<u>2004</u>	<u>2005</u>	<u>Variance</u>	<u>%</u>
General Revenues:				
Forfeitures and restitution	\$ 42,237	\$ 41,580	\$ (657)	(1.55)
MSP reimbursement	1,225	5,000	3,775	308.16
County and local contributions	71,470	79,041	7,571	10.59
Interest and other	98	65	(33)	(33.67)
Total Revenue	<u>115,030</u>	<u>125,686</u>	<u>10,656</u>	<u>9.26</u>
Operating Expense				
Wages and fringes	18,229	6,548	(11,681)	(64.08)
Grant matching	88,414	95,808	7,394	8.36
Investigative expenditures	9,585	14,767	5,182	54.06
Other	30,256	34,259	4,003	13.23
Total Operating Expense	<u>146,484</u>	<u>151,382</u>	<u>4,898</u>	<u>3.34</u>
Income (Loss)	(31,454)	(25,696)	5,758	18.31
Beginning Net Assets	<u>38,098</u>	<u>6,644</u>	<u>(31,454)</u>	<u>(82.56)</u>
Ending Net Assets	<u>\$ 6,644</u>	<u>\$ (19,052)</u>	<u>\$ (25,696)</u>	<u>(386.75)</u>

Capital Asset and Debt Administration

At September 30, 2005, S.T.I.N.G. had \$4,800 invested in capital assets before depreciation as follows:

	<u>2004</u>	<u>2005</u>	<u>Total Percentage Change 2004-2005</u>
Capital Assets Not Being Depreciated Land	\$ -0-	\$ -0-	0.00
Subtotal	<u>-0-</u>	<u>-0-</u>	<u>0.00</u>
Capital Assets Being Depreciated Equipment	<u>4,800</u>	<u>4,800</u>	<u>0.00</u>
Subtotal	<u>4,800</u>	<u>4,800</u>	<u>0.00</u>
Total Capital Assets	<u>4,800</u>	<u>4,800</u>	<u>0.00</u>
Total Accumulated Depreciation	<u>4,800</u>	<u>4,800</u>	<u>0.00</u>
Total Net Capital Assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>0.00</u>

Please refer to the notes of the financial statements for more detailed information.

S.T.I.N.G.
MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)
SEPTEMBER 30, 2005

Synopsis

The Strike Team Investigative Narcotics Group (S.T.I.N.G.) Is a multi-jurisdictional law enforcement task force. The unit has police officers assigned from the Michigan State Police, Oscoda Township Police Department, Roscommon County Sheriff's Office and the Crawford County Sheriff's Office. Financial support comes from governmental entities that contribute cash, federal grants, court fees and money generated via the Narcotics Forfeiture Act.

Financial History

S.T.I.N.G. currently has financial assets of approximately \$18,000 with approximately \$94,000 of pledged contributions for fiscal 2005/06 yet received. During the time period of 2001-2004 average revenues (\$125,989) versus expenditures (\$165,446) averaged a net loss of \$39,457 per year. During fiscal 2004/05 net revenue was approximately \$125,680 versus expenditures of approximately \$151,382, or a net loss of approximately \$25,696. Although this continues the trend from prior years, several changes to S.T.I.N.G.'s financial structure are noted in the next section. This should eliminate the deficit spending trend and possible result in a positive cash flow.

Economic Factors/Budget Forecast

With the addition of the Charter township of Oscoda to S.T.I.N.G., we have added approximately 15,000 persons to the per capita funding base for fiscal year 2005/06. We continue to recruit local townships in Iosco County to financially support S.T.I.N.G. These increases, coupled with the increase from \$1.10 to \$1.40 per capita, have increased S.T.I.N.G. assured revenues to approximately \$120,000 for FY 2005/06. This represents over 70% of the operational budget, an increase from 40% during fiscal year 2004/05. It greatly reduces the reliance on forfeitures to ensure funding for S.T.I.N.G. operations.

Although these are significant improvements in funding they are tempered by the recent cuts in the Federal JAG program. Historically the JAG program (formerly BYRNE) funded 50% of all personnel costs for S.T.I.N.G. officers. For fiscal 2006/07 the total national grants funds available have been reduced from 634 million dollars to 415.5 million dollars. These cuts are being shared equally by all grant participants, which results in a cut of approximately 35%. As currently funded this will require S.T.I.N.G. to increase revenues by approximately \$80,000 to compensated for the lost federal grant monies. The possible solutions include the shifting of the grant match payment responsibility from S.T.I.N.G. to individual agencies, layoffs of officers to reduce the amount of grant match S.T.I.N.G. pays or increasing the per capita rate to compensate. The S.T.I.N.G. Executive Board was made aware of the cuts to the JAG program and will look to other sources of funding to address these shortfalls.

S.T.I.N.G.
MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)
SEPTEMBER 30, 2005

Contacting the Unit's Management

This financial report is intended to provide our citizens with a general overview of S.T.I.N.G.'s finances and to show the Unit's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Unit's office.

D/Lt. Jeff Keister, Unit Commander
Strike Team Investigative Narcotics Group

S.T.I.N.G.
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

ASSETS

Cash and equivalents	\$ 16,937
Due from other governmental units	<u>1,155</u>
Total Assets	<u>18,092</u>

LIABILITIES

Liabilities	
Accounts payable	3,589
Due to other governments	<u>33,555</u>
Total Liabilities	<u>37,144</u>

NET ASSETS

Unrestricted	<u>(19,052)</u>
Net Assets	<u><u>\$ (19,052)</u></u>

The accompanying notes are an integral part of these financial statements.

S.T.I.N.G.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Program Expenses	
Clerical wages and payroll taxes	\$ 6,548
Office supplies	875
Grant matching	95,808
Travel & lodging	2,893
Telephone & communications	7,985
Equipment lease	1,123
Contract services	1,600
Evidence and informants	14,767
Forfeiture costs	5,042
Miscellaneous expenses	78
Vehicle lease & storage	5,018
Building rent	9,000
Officer training	<u>645</u>
Total Program Expenses	<u>151,382</u>
General Revenues	
Michigan State Police - reimbursements	5,000
Forfeitures and restitution	41,580
County and local contributions	79,041
Interest and other income	<u>65</u>
Total General Revenues	<u>125,686</u>
Change in Net Assets	(25,696)
Net Assets, beginning of year	<u>6,644</u>
Net Assets, end of year	<u><u>\$ (19,052)</u></u>

The accompanying notes are an integral part of these financial statements.

S.T.I.N.G.
BALANCE SHEET
SEPTEMBER 30, 2005

ASSETS

Cash on hand	\$ 8,000
Cash in the bank	8,937
Due from other governmental units	<u>1,155</u>
TOTAL ASSETS	<u>\$ 18,092</u>

LIABILITIES AND FUND EQUITY

Liabilities:

Accounts payable	\$ 3,589
Due to other governmental units	<u>33,555</u>
TOTAL LIABILITIES	<u>37,144</u>

Fund Equity:

Fund balance	<u>(19,052)</u>
TOTAL FUND EQUITY	<u>(19,052)</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 18,092</u>

The accompanying notes are an integral part of these financial statements.

S.T.I.N.G.
RECONCILIATION OF THE BALANCE SHEET FUND BALANCE TO
THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Total governmental fund balance	\$ (19,052)
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Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities
are not financial resources and therefore are
not reported in the funds.

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Net assets of governmental activities	<u>\$ (19,052)</u>
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The accompanying notes are an integral part of these financial statements.

S.T.I.N.G.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

REVENUES

Michigan State Police - reimbursements	\$ 5,000
Forfeitures and restitution	41,580
County and local contributions	79,041
Interest and other income	<u>65</u>
Total Revenues	<u>125,686</u>

EXPENDITURES

Clerical wages and payroll taxes	6,548
Office supplies	875
Grant matching	95,808
Travel & lodging	2,893
Telephone & communications	7,985
Equipment lease	1,123
Contract services	1,600
Forfeiture costs	5,042
Evidence and informants	14,767
Miscellaneous expenses	78
Vehicle lease & storage	5,018
Building rent	9,000
Officer training	<u>645</u>
Total Expenditures	<u>151,382</u>

EXCESS OF REVENUE OVER (UNDER) EXPENDITURES (25,696)

FUND BALANCE, beginning of year 6,644

FUND BALANCE, end of year \$ (19,052)

The accompanying notes are an integral part of these financial statements.

S.T.I.N.G.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Net Change in fund balance-total governmental funds	\$ (25,696)
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Amounts reported for governmental activities
in the statement are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Equipment retirement is recorded as an expenditure credit in governmental funds, but not recorded as an expense in the statement of activities.

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Change in net assets of governmental activities.	<u>\$ (25,696)</u>
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The accompanying notes are an integral part of these financial statements.

S.T.I.N.G.
STATEMENT OF FIDUCIARY FUND NET ASSETS
NON-ADJUDICATED FIDUCIARY FUND
SEPTEMBER 30, 2005

ASSETS	
Cash	\$ <u>2,046</u>
Total Assets	<u>2,046</u>
LIABILITIES	
Seized assets pending judgement	<u>2,046</u>
Total Liabilities	<u>2,046</u>
NET ASSETS	
Net Assets Held in Trust for Other Governments	<u><u>\$ -0-</u></u>

The accompanying notes are an integral part of these financial statements.

S.T.I.N.G.
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS
NON-ADJUDICATED FIDUCIARY FUND
SEPTEMBER 30, 2005

ADDITIONS

Seizures	\$ 6,628
Bond forfeitures	<u>2,400</u>
Total Additions	<u>9,028</u>

DEDUCTIONS

Payments to S.T.I.N.G.	6,330
Payments pending judgement	<u>2,698</u>
Total Deductions	<u>9,028</u>

Change in Net Assets	<u>-0-</u>
Net Assets Held in Trust for Other Governments - October 1	<u>-0-</u>
Net Assets Held in Trust for Other Governments - September 30	<u><u>\$ -0-</u></u>

The accompanying notes are an integral part of these financial statements.

S.T.I.N.G.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of S.T.I.N.G. conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies:

DEFINING THE REPORTING ENTITY

S.T.I.N.G. (Strike Team Investigative Narcotics Group) is operated under an interagency agreement which includes Crawford, Ogemaw, Oscoda, and Roscommon Counties and the Michigan State Police. The purpose of this alliance is to establish a cooperative force combining their investigative services, manpower and/or resources for enforcement of Michigan controlled substances laws and related criminal activity. The criteria established for determining the reporting entity include overnight responsibility, scope of public service, and financing relationships. Only the activities of S.T.I.N.G. are included in these financial statements.

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all S.T.I.N.G.'s activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Government-wide financial statements include the following:

Statement of Net Assets - The statement of net assets is designed to display the financial position of the Primary Government (governmental and business-type activities) and the total of its discretely presented component parts. S.T.I.N.G. reports capital assets in the government-wide statement of net assets and reports depreciation expense-the cost of "using up" capital assets-in the statement of activities. The net assets of S.T.I.N.G. are broken down into three categories-1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities-The statement of activities reports expenses and revenues in a format that focuses on the cost of each of S.T.I.N.G.'s functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, S.T.I.N.G. has recorded capital assets and certain other long-term assets and liabilities in the statement of net assets and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

DONATED SERVICES

Personnel for the operations of S.T.I.N.G. are provided by the law enforcement agencies whose officers are working with S.T.I.N.G. No expense or revenue has been recorded for these donated services in the books and records of S.T.I.N.G.

S.T.I.N.G.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

BASIS OF PRESENTATION-GOVERNMENT WIDE FINANCIAL STATEMENTS

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report financial information on the S.T.I.N.G. as a whole, excluding fiduciary activities for non-adjudicated funds.

The Statement of Net assets presents S.T.I.N.G.'s assets and liabilities with the difference being reported as either invested in capital assets, net of related debt or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by general revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

BASIS OF PRESENTATION-FUND FINANCIAL STATEMENTS

Separate financial statements are provided for the operating fund (governmental fund) and the fiduciary fund. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

GENERAL FUND

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from forfeitures and restitution, interest on savings accounts and miscellaneous income.

FIDUCIARY FUNDS

These funds are used to account for assets held in trust or as an agent for others. Non-adjudicated activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No.34.

S.T.I.N.G.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS/BASIS OF ACCOUNTING-GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

MEASUREMENT FOCUS/BASIS OF ACCOUNTING-FUND FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the unit considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CAPITAL ASSETS AND DEPRECIATION

The S.T.I.N.G.'s property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The unit generally capitalizes assets with historical cost of normal maintenance more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Computers and peripherals	1-3 years
Office furniture	5-20 years
Vehicles	4-7 years
Buildings and improvements	25-40 years
Land improvements	10-20 years
Machinery and equipment	5-10 years

Land and construction in progress are not depreciated.

S.T.I.N.G.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEPOSITS AND INVESTMENTS

The S.T.I.N.G.'s cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from date of acquisition.

State statutes authorize a governmental unit other than S.T.I.N.G. to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The governmental unit is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

NOTE B - CASH AND INVESTMENTS

S.T.I.N.G.'s adjudicated and unadjudicated checking accounts were maintained by the County of Roscommon for the fiscal year ending September 30, 2005. These bank accounts had a combined book balance of \$8,937 as of September 30, 2005. The combined bank balance as of September 30, 2005 was \$10,474. 100% of the bank balance was covered by FDIC insurance.

Deposits are categorized into these three categories of credit risk:

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
3. Uncollateralized

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 8,937	\$ 10,474
Uninsured and Uncollateralized	-0-	-0-
Total Deposits	8,937	\$ 10,474
Cash on hand	8,000	
Total Cash and Equivalents	\$ 16,937	

Michigan law prohibits the collateralization of public funds.

S.T.I.N.G.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2005

NOTE C - DUE TO OTHER UNITS OF GOVERNMENT

As of September 30, 2005 S.T.I.N.G. owed \$6,010 to Crawford County, \$9,010 to Roscommon County, \$2,835 to Oscoda Township, and \$15,700 contribution for the subsequent fiscal year received in advance from Crawford County, totaling \$33,555.

NOTE D - CAPITAL ASSETS

The following is a summary of changes in the Capital Assets:

	Balance 10/01/04	Additions	Deletions	Balance 9/30/05
Capital Assets Being Depreciated:				
Equipment	4,800	-0-	-0-	4,800
Total	4,800	-0-	-0-	4,800
Less Accumulated Depreciation:				
Equipment	4,800	-0-	-0-	4,800
Total	4,800	-0-	-0-	4,800
Total Net Capital Assets	\$ -0-	\$ -0-	\$ -0-	\$ -0-

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended September 30, 2005 S.T.I.N.G. incurred expenditures in excess of the amounts appropriated in the General Fund as follows:

Fund	Budgeted	Actual	Variance
General Fund:			
Clerical Wages and Payroll Taxes	\$ 6,300	\$ 6,548	\$ (248)
Telephone & Communications	5,400	7,985	(2,585)
Contract Services	-0-	1,600	(1,600)
Forfeiture Costs	-0-	5,042	(5,042)
Evidence and Information	10,000	14,767	(4,767)

S.T.I.N.G.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2005

NOTE F - OPERATING LEASE

S.T.I.N.G. enters into a lease agreement annually, prior to the beginning of the fiscal year. The current fiscal year rent expenditures amounted to \$9,000. The amount anticipated for the 05/06 fiscal year will be \$9,000.

NOTE G - UNAUTHORIZED FUND BALANCE DEFICIT:

S.T.I.N.G. ended the year with a fund balance deficit of \$19,052. Public Act 275 of 1980 requires S.T.I.N.G. to file a deficit elimination plan with the Michigan Department of Treasury within 90 days after the end of the fiscal year. S.T.I.N.G. had not filed the required plan as of the date of this audit.

SUPPLEMENTAL INFORMATION

S.T.I.N.G.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal grants	\$ 219,587	\$ 219,587	\$ -0-	\$ (219,587)
Michigan State Police				
- reimbursements	261,541	262,941	5,000	(257,941)
Forfeitures and restitution	74,530	53,990	41,580	(12,410)
County and local contributions	79,076	79,076	79,041	(35)
Interest and other income	-0-	-0-	65	65
Total Revenues	<u>634,734</u>	<u>615,594</u>	<u>125,686</u>	<u>(489,908)</u>
EXPENDITURES				
Clerical wages and payroll taxes	20,400	6,300	6,548	(248)
Office supplies	4,200	4,200	875	3,325
Grant matching	541,816	541,816	95,808	446,008
Travel & lodging	7,800	6,000	2,893	3,107
Telephone & communications	10,040	5,400	7,985	(2,585)
Equipment lease	1,500	1,500	1,123	377
Contract services	-0-	-0-	1,600	(1,600)
Forfeiture costs	-0-	-0-	5,042	(5,042)
Evidence and informants	8,600	10,000	14,767	(4,767)
Miscellaneous expenses	5,200	5,200	78	5,122
Vehicle lease & storage	24,378	24,378	5,018	19,360
Building rent	9,000	9,000	9,000	-0-
Officer training	1,800	1,800	645	1,155
Total Expenditures	<u>634,734</u>	<u>615,594</u>	<u>151,382</u>	<u>464,212</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	-0-	-0-	(25,696)	(25,696)
FUND BALANCE, beginning of year	<u>-0-</u>	<u>-0-</u>	<u>6,644</u>	<u>6,644</u>
FUND BALANCE, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (19,052)</u>	<u>\$ (19,052)</u>

S.T.I.N.G.

REPORT TO MANAGEMENT

SEPTEMBER 30, 2005



Anderson & Decker, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653
(989) 275-8831

December 12, 2005

Executive Board of S.T.I.N.G.
496 E. Houghton Ave.
West Branch, MI 48661

In planning and performing our audit of the financial statements of S.T.I.N.G., as of and for the year ended September 30, 2005, we considered S.T.I.N.G.'s accounting, operational, and internal control procedures to determine the nature and extent of our audit testing for the purpose of expressing an opinion on the financial statements of S.T.I.N.G. and not to provide assurance on the procedures themselves.

We did however, during the course of our audit, become aware of certain matters that are opportunities for enhancing those procedures or controls. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated December 12, 2005, on the financial statements of S.T.I.N.G.

We have already discussed these comments and suggestions with S.T.I.N.G.'s personnel, and we will be pleased to discuss them in further detail at your convenience, and/or to perform any additional studies of these matters, should you so desire.

Sincerely,

ANDERSON & DECKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS AND RECOMMENDATIONS

Fund Balance Deficit

As of September 30, 2005, S.T.I.N.G. had a fund balance deficit of \$19,052. According to Public Act 275 of 1980, a deficit elimination plan is required to be submitted to the Michigan Department of Treasury. It is our understanding that management is in the process of submitting the plan. In addition, it is also our understanding that the 2006/07 budget includes increases in revenues over expenditures in excess of the fund balance deficit indicating that S.T.I.N.G. anticipates eliminating the deficit with current year revenue increases.